

## Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting

This document contains recommendations for review by the Task Force on the Economic Future of Western Maryland during its November 12, 2021 meeting. Recommendations are built upon discussions task force members had during previous meetings as well as recommendations from the interim report submitted by the task force in February 2021. Recommendations are broken into four main categories:

- A. Recommendations which the task force recommends be advanced with legislation during the 2022 legislative session,
- B. Recommendations without specific legislation to be proposed,
- C. Recommendations from the interim report that will not be advanced further, and
- D. Recommendations from the interim report that were successful.

These recommendations and their associated categories are displayed in the table below. The full text of all recommendations may be found on the subsequent pages.

**Figure 1: Summary Table of Final Task Force Recommendations For Voting on Dec. 2, 2021**

Rec. #	Recommendation
<b>A: Recommendations For the Final Report Requiring Legislation</b>	
TFA-1	The Creation of the Western Maryland Economic Future Investment Fund
TFA-2	Programs to Increase the Supply of Middle-Income/Market-Rate Housing Availability
TFA-3	Enhancements to the Maryland E-Innovation Initiative Fund
TFA-4	Allocate Additional Funding to Maintain State-Owned Lakes
TFA-5	Support enactment of the Maryland Technology Infrastructure Pilot Program
TFA-6	TEDCO's Rural Business Innovation Initiative (RBII)
TFA-7	Redefine the Meaning of Qualifying Biomass and a Thermal Biomass System
<b>B: Recommendation For Final Report Without Accompanying Legislation</b>	
TFB-1	Identify Ways to Enhance Recreation Opportunities and State-Owned Parks in Western Maryland
<b>C: Successful Recommendations That Will Not Be Reintroduced</b>	
TFC-1	Revisions to the Maryland Innovation Initiative
TFC-2	A Bill to Extend the Activities of the Task Force on the Economic Future of Western Maryland
<b>D: Other Recommendations That Will Not Be Reintroduced</b>	
TFD-1	Support Tax Credits and Programs Designed to Allow Maryland's Tourism Industry to Recover from COVID-19
TFD-2	Support Small Business Participation in Association Health Plans

## **Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting**

### **Recommendations For the Final Report Requiring Legislation**

#### **TF-A1: The Creation of the Western Maryland Economic Future Investment Fund**

The Task Force on the Economic Future of Western Maryland recommends legislation be introduced to create a new program to spur economic development in Western Maryland (Garrett, Allegany, and Washington Counties). The program, the Western Maryland Economic Future Investment Fund (WMEFIF) will be set up as follows:

- The WMEFIF will run for an initial pilot period of five years.
- Each fiscal year, the Governor will allocate \$20 million to fund the WMEFIF.
  - If any money remains unallocated at the end of the fiscal year, it is carried over and does not impact the budget allotment for the next fiscal year.
- The WMEFIF will receive oversight through an eleven-person board set up as follows:
  - One (1) representative from the Maryland Department of Commerce who will act as chair of the oversight body,
  - One (1) county commissioner from each county,
  - One (1) representative from an economic development organization in each county as appointed by the county's commissioners,
  - One (1) representative from each county's chamber of commerce, and
  - One (1) representative from the Maryland Municipal League that would represent the three counties.
  - The Tri County Council of Western Maryland will provide support staff to the WMEFIF board.
- Projects eligible for funding through the program will include:
  - Capital Infrastructure Projects:
    - Infrastructure projects must be linked to economic development as approved by the WMEFIF board.
    - The county the project is located in, another local entity, a private business, or a combination thereof must match 20% of the amount approved by the WMEFIF board.
  - Business Development Projects:
    - This category includes, but is not limited to, capital grants/loans, funding for downtown/area revitalization, small business tourism grants/loans, and other items not related to capital infrastructure and as approved by the WMEFIF board.
    - The county the project is located in, another local entity, a private business, or a combination thereof must match 10% of the amount approved by the WMEFIF board.
- To receive funding, projects must lead to improved economic conditions in Western Maryland. This may be shown through metrics delineated in the legislation and implemented by the oversight board that include, but are not limited to:
  - Created/retained jobs,
  - Number of new/retained businesses,

## **Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting**

- Increased wages, or
  - New state and local tax revenue.
- Funding can be structured as a grant or loan. Payments on loans will be paid back to the WMEFIF to allow for further funding opportunities.
- Each county or other local entity within the three county area will present potential projects to the WMEFIF board and the board will vote on whether to approve each project.
- Each year, the WMEFIF board shall generate an annual report that details:
  - The number of new projects funded that year by county;
  - The number of completed projects that year by county;
  - The number of ongoing projects by county;
  - For each project, the amount of funding provided by the WMEFIF;
  - For each project, relevant economic metrics; and
  - For each project, the progress made or outstanding.
- If the WMEFIF board determines that insufficient progress has been made after a project receives funding, or that a project did not sufficiently deliver on its promises, the board will be able to claw back the award.
- For any given project, The WMEFIF does not replace existing funding opportunities from other state programs. Instead, the WMEFIF serves to enhance existing economic development opportunities and resources in the region.

### **TF-A2: Programs to Increase the Supply of Middle-Income/Market-Rate Housing Availability**

Western Maryland's population has fallen over the past decade even while employment has risen. This indicates that the region's workers are living outside the region. The task force has heard from stakeholders that workers generally locate outside the region due to two related reasons:

- The supply of available housing is greater in neighboring jurisdictions, such as West Virginia.
- There are few homes available at the price-point consumers want in Western Maryland.

The task force has heard that these two reasons have a related cause: the high cost of housing construction in the region. Developers shift projects to West Virginia or Pennsylvania to take advantage of lower input costs. This increases the supply of relatively cheaper housing outside of Western Maryland. When homes are built in the region, various regulations increase the input price of the homes and this increase is in turn passed on to consumers. Increasing residents in Western Maryland's towns is a win-win. It benefits residents who can enjoy a shorter commute to work and it benefits local jurisdictions as these new residents pay taxes and support local businesses.

To help entice new residents and stem further population loss, the Task Force on the Economic Future of Western Maryland recommends legislation be introduced to help tackle the increasingly high cost of housing in the region. Topics for legislation on the topic include:

## **Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting**

- Reviewing and reducing regulatory hurdles in the region that increase the cost of housing relative to nearby areas.
- Property tax credits for homeowners in the region to offset the cost associated with regulations concerning sprinkler installations, septic tanks, and last-mile broadband installation.
- Tax credits and incentives for developers of middle-income/market-rate housing to reduce the cost of construction and incentivize new development in Maryland rather than nearby jurisdictions.

The Task Force on the Economic Future of Western Maryland also recommends that special attention be paid to a housing study currently being conducted on behalf of the Greater Cumberland Committee and action be taken to align with the eventual report.

### **TF-A3: Enhancements to the Maryland E-Innovation Initiative Fund**

The Maryland E-Innovation Initiative Fund (MEIF) is currently administered by the Maryland Department of Commerce. The program is designed to encourage research endowments at Maryland's colleges and universities. Through MEIF, the state provides matching funds to funding that institutions of higher education have secured from private sources in support of research endowments. The program has had considerable success. In fiscal year 2020, the state awarded six institutions \$8.5 million in matching funds and in fiscal year 2021 the state awarded seven institutions \$7.55 million in matching funds. However, smaller colleges and universities have encountered challenges in providing matching funds. The Task Force on the Economic Future of Western Maryland recommends that legislation be introduced so that institutions with an annual unrestricted current funds budget of less than \$250 million only need to obtain a qualifying donation, pledge, or combination of donations and pledges of \$200,000 instead of the current level of \$500,000.

### **TF-A4: Allocate Additional Funding to Maintain State-Owned Lakes**

The State of Maryland owns 16 lakes, many of which are located in Western Maryland. These lakes are economic engines, generating hundreds of millions of dollars in economic impact each year and in many cases supporting a substantial property tax base along the lake shores. Maintaining these lakes ensures the longevity of these resources for the localities that depend on them. As such, the Task Force on the Economic Future of Western Maryland recommends that the Governor add an additional line item of \$3 million per year to the Maryland Department of Natural Resources' budget in order to maintain state-owned lakes. This funding should not supplant existing funding going to the Maryland Department of Natural Resources.

### **TF-A5: Support enactment of the Maryland Technology Infrastructure Pilot Program**

The Task Force on the Economic Future of Western Maryland recommends that legislation be passed to establish a pilot program within TEDCO to:

- 1) Support the innovation economy by incentivizing the development of advanced industry infrastructure and resources that build on the existing strengths of Western Maryland's economy; and

## **Task Force on the Economic Future of Western Maryland**

### **Final Recommendations to Vote on During 12/2 Meeting**

- 2) Support the growth of and incentivize the attraction and retention of early-stage innovation-based businesses in Western Maryland through the creation of supporting infrastructure and resources.

This pilot program would be overseen by the Maryland Technology Infrastructure Authority which would consist of the following members:

- 1) Two members appointed by the Governor that are entrepreneurs or business owners in Western Maryland;
- 2) The president of the Frostburg State University, or the president's designee;
- 3) The president of a community college located in the Western Maryland, or the president's designee, appointed by the Maryland Association of Community Colleges; and
- 4) The executive director of the corporation; or the executive director's designee.

TEDCO, through the pilot program and based on recommendations from the Authority, would make awards for the following purposes:

- 1) support large-scale infrastructure or resource projects in Western Maryland to attract talent, foster collaboration, and enable concentration and growth of advanced industries;
- 2) Foster public-private collaborations to encourage development of shared infrastructure and resources; and
- 3) Support talent development initiatives that address critical skill shortage areas in industries critical to growth in Western Maryland.

Financial awards (which may be made to public or private entities in the State including institutions of higher education) will not exceed one third of the total cost of a project or \$500,000 per project. Priority for the award of any financial assistance shall be given to those projects that are most likely to:

- 1) attract significant investment in the state;
- 2) result in significant company formation, expansion; or job creation; or
- 3) result in meaningful economic and employment development in Western Maryland.

TEDCO will provide the General Assembly with a report on or before July 1, 2024 summarizing the implementation of the pilot program and detailing recommendations on the expansion of the pilot program to a statewide program.

#### **TF-A6: TEDCO's Rural Business Innovation Initiative (RBII)**

TEDCO's Rural Business Innovation Initiative (RBII) assists start-up and small technology-based businesses in the rural areas of Maryland to advance the company to a higher level of success. The program offers professional ongoing mentoring and targeted funding at no cost to the company. Currently, TEDCO does not have specific state funding for this program. Despite the lack of dedicated funding, TEDCO allocates \$500,000 from their operating funds to provide the network assistance and for a small pre-seed investment fund. While the program receives

## **Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting**

relatively limited funding, the investments to date show great promise as 87 percent of funded companies are still in operation.

The Task Force on the Economic Future of Western Maryland recommends that the Governor include an appropriation of \$500,000 to fund the RBII, and that this funding be used to supplement, not supplant existing TEDCO funding.

### **TF-A7: Redefine the Meaning of Qualifying Biomass and a Thermal Biomass System**

The Task Force on the Economic Future of Western Maryland supports efforts to amend Maryland's Renewable Portfolio Standard (RPS) so that:

1. The definition of 'qualifying biomass' is updated to include wood products, including mill residues, silvicultural products, and natural wood wastes.
2. The definition of a 'thermal biomass system' be updated to include qualifying biomass.

These two changes will support Maryland's transition to green energy as well as support Western Maryland's robust forestry industry. During the 2021 legislative session, a study of these efforts was authorized. If this study is favorable to the proposed alterations to the RPS, the Task Force on the Economic Future of Western Maryland supports the passage of legislation to make these changes.

## **Recommendation For Final Report Without Accompanying Legislation**

### **TF-B1: Identify Ways to Enhance Recreation Opportunities and State-Owned Parks in Western Maryland**

Western Maryland's parks and campgrounds are a crucial component of the region's tourism industry. Ensuring that these resources are well maintained and the amenities are thoughtfully scaled to meet demand will ensure these public lands continue contributing to the local and regional economy. The Task Force on the Economic Future of Western Maryland understands that a shortage of personnel and funding limits the amenities that can be offered, reducing the quality of visitors' experiences. To this end, the Task Force on the Economic Future of Western Maryland urges the Maryland Department of Natural Resources, other state agencies as appropriate, and relevant stakeholders to explore all possible options to enhance recreation opportunities and state-owned parks in Western Maryland. Options the task force recommends that state agencies consider include:

- Identify opportunities for new trails and rock climbing opportunities in Western Maryland. The task force recommends that the Maryland Department of Natural Resources, the Maryland Department of Transportation, and the Maryland Department of Commerce work closely with each county in the region to identify priority trail systems and new rock climbing opportunities to create or to enhance. To the extent that counties already have identified key projects, the task force recommends that Maryland's state agencies work aggressively to ensure projects are completed.
- Identify ways for public-private partnerships (P3s) to enhance the offerings within state parks. To the extent that personnel and funding limitations inhibit the ability of the Maryland Department of Natural Resources to provide services within the region's

## **Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting**

parks, the task force recommends that the Department consider the use of P3s as a way to provide enhanced amenities to the public. A P3 within a park would provide the state with a revenue stream and ensure that services are provided to visitors. The task force understands that proposed changes by the private operator would involve oversight and approval from the Department of Natural Resources and other key stakeholders.

- Create a process to communicate with counties regarding the prospect of development on state-owned land. The State of Maryland owns a substantial amount of land in Washington, Allegany, and Garrett counties. The State of Maryland can leverage this ownership to encourage economic development across Western Maryland while still preserving the region's natural resources and splendor. Economic development opportunities and site selection requests often have short timeframes associated with them. The Task Force on the Economic Future of Western Maryland recommends that the State of Maryland create a formal process so that local jurisdictions can discuss economic development opportunities as they arise and which sections of land can/can not be considered for economic development opportunities.

## **Successful Recommendations That Will Not Be Reintroduced**

### **TF-C1: Revisions to the Maryland Innovation Initiative**

TEDCO operates the Maryland Innovation Initiative (MII) that promotes the commercialization of research occurring at Maryland's five research universities:

1. Johns Hopkins University;
2. Morgan State University;
3. University of Maryland, Baltimore;
4. University of Maryland, Baltimore County (UMBC); and
5. University of Maryland, College Park.

Since the program's inception in fiscal year 2013, MII has awarded 252 grants and 74 investments across a diverse range of industries such as life sciences, engineering, and information technology. Companies supported by MII have found success, and 57 percent of MII companies raise follow-on funding within two years.

Although the program has been successful, it is currently limited by statute to the state's five research universities. Expanding MII to additional universities could allow for enhanced economic development opportunities across Maryland.

To this end, the Task Force on the Economic Future of Western Maryland recommends legislation be introduced to establish a pilot expansion of MII at Frostburg State University, located in Allegany County. A pilot program would work as follows:

- For FY 2023 and FY 2024, the Governor shall include an appropriation of \$500,000 for the pilot program.
  - This funding shall be used to supplement, not supplant, any funds that would otherwise be provided to MII.



## **Task Force on the Economic Future of Western Maryland Final Recommendations to Vote on During 12/2 Meeting**

- Frostburg State University shall pay an annual contribution of \$50,000 in FY 2023 and FY 2024.
- To be eligible for funding under the pilot program, a project must:
  1. Support the creation of a new technology-based business in Maryland;
  2. Advance technology toward commercialization of a product or service;
  3. Foster entrepreneurial development at Frostburg State University;
  4. Create an opportunity for meaningful economic impact in the region around Frostburg State University; or
  5. Foster collaborations between the university and an industry partner and must include:
    - Product development with commercialization potential; and
    - Matching funds provided by the industry partner.
- TEDCO will provide the General Assembly with a report on or before July 1, 2024 summarizing the implementation of the pilot program at Frostburg State University.

### **TF-C2: A Bill to Extend the Activities of the Task Force on the Economic Future of Western Maryland**

The Task Force on the Economic Future of Western Maryland recommends legislation be introduced to extend the Task Force on the Economic Future of Western Maryland through October 1, 2021 with a final report due on or before October 1, 2021.

## **Other Recommendations That Will Not Be Reintroduced**

### **TF-D1: Support Tax Credits and Programs Designed to Allow Maryland's Tourism Industry to Recover from COVID-19**

Maryland's tourism industry has faced unprecedented challenges in the wake of COVID-19. The industry is critical to the economies of all of Maryland's regions and Western Maryland is no exception. The Task Force on the Economic Future of Western Maryland supports the following legislation and recommends both items be passed during the 2021 legislative session:

- SB 64 - Unemployment Insurance - Earned Rating Record - Waiver of Benefit Charges Due to COVID-19 - to ensure unemployment insurance rates do not rise for companies that were forced to layoff workers during the pandemic and
- Legislation to enact the 'Explore Maryland Tax Credit,' which would incentivize more Maryland residents to travel and support businesses hardest hit during the current economic downturn.

### **TF-D2: Support Small Business Participation in Association Health Plans**

The Task Force on the Economic Future of Western Maryland notes that legislation has been submitted during prior legislative sessions to amend the Maryland Healthcare Access Act of 2018 to remove language prohibiting small businesses from including their owners, employees, and family as part of the larger pool of employees in an Association Health Plan. If legislation on this topic is introduced during the 2021 legislative session, the Task Force on the Economic Future of Western Maryland recommends that it be passed.